



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

FEB 18 2004

The Honorable Duncan Hunter
Chairman
Committee on Armed Services
U.S. House of Representatives
Washington, D.C. 20515-6035

Dear Mr. Chairman:

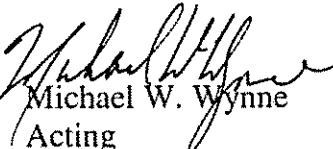
House Report 108-173 accompanying the FY 2004 Military Construction Appropriations Bill encouraged the Department of Defense to use common commercial business practices that improve the viability of the Department's utilities privatization program and offer potential to reduce long-term utility service costs. That report directed the Secretary of Defense to report on efforts to fully implement these common commercial business practices in the water and wastewater utilities privatization program of the Department of Defense.

We are evaluating each of the recommendations contained in the House Report 108-173. Modifications to existing acquisition policies will be required to implement the specific common commercial business practices. As a fundamental step in efforts to further improve the program, a waiver to the Cost Accounting Standards (CAS) was requested on December 19, 2003. Depending on the outcome of that request, targeted deviations from certain requirements of the Federal Acquisition Regulations and revisions to current Department of Defense procurement policies for the utilities privatization program are contemplated.

Although the specific recommendations of Report 108-173 are being evaluated for inclusion in the above mentioned adjustments, it is premature to provide a report of their implementation at this time. A report will be provided by May 28, 2004.

A similar letter is being sent to the appropriate congressional defense committees.

Sincerely,


Michael W. Wynne
Acting

cc:

The Honorable Ike Skelton
Ranking Member

